

2013

Annual Financial Statements

30 June 2013



H J Kritzing - CFO
WC022 – WITZENBERG MUNICIPALITY
8/31/2013

Un-audited - Trim ref 05/03/1



WITZENBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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WITZENBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

Witzenberg Municipality is a local municipality performing the functions as set out in Part B of Schedules 4 & 5 of the Constitution of the Republic of South Africa. (Act No. 108 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Witzenberg Municipality includes the following areas:

*Ceres
Op-die-Berg
Prince Alfred's Hamlet
Tulbagh
Wolseley*

MUNICIPAL MANAGER

D Nasson

ACTING CHIEF FINANCIAL OFFICER

HJ Kritznager

REGISTERED OFFICE

50 Voortrekker Street, Ceres, 6835

AUDITORS

Auditor-General South Africa

PRINCIPAL BANKERS

Standard Bank, Ceres

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
SALBC Leave Regulations

WITZENBERG MUNICIPALITY

MEMBERS OF THE WITZENBERG MUNICIPALITY

COUNCILLORS

Position	Surname	Party	Seat type
Executive Mayor	Klazen, JNED	DCP	PR 1
Deputy Executive Mayor	Adams, K	Independent	Ward 6
Speaker	Godden, TT	COPE	PR 1
Member of Mayoral Committee	Louw, S	DA	PR 1
Member of Mayoral Committee	Veschini, JA	VIP	PR 1
Member of Mayoral Committee	Smit, HJ	DA	Ward 5
Member of Mayoral Committee	Visagie, JJ	DA	Ward 4
Ordinary Councillor	Badela, R	ANC	Ward 12
Ordinary Councillor	Du Plessis, JJ	DA	PR 3
Ordinary Councillor	Du Toit, MC	ANC	PR 1
Ordinary Councillor	Heradien, P	DA	Ward 7
Ordinary Councillor	Klaasen, BC	DA	PR 2
Ordinary Councillor	Mouton, JS	ANC	PR 2
Ordinary Councillor	Ndwanya, SM	ANC	PR 4
Ordinary Councillor	Phungula, JT	ANC	PR 3
Ordinary Councillor	Salmon, L	ANC	Ward 8
Ordinary Councillor	Saula, MI	ANC	Ward 1
Ordinary Councillor	Sidego, EM	DA	Ward 11
Ordinary Councillor	Simpson, RJ	ANC	Ward 9
Ordinary Councillor	Swart, D	DA	Ward 2
Ordinary Councillor	Chaaban, BJ	NPP	PR 1
Ordinary Councillor	Hanekom, WJ	DA	Ward 3
Ordinary Councillor	Waterboer, P	DA	Ward 10

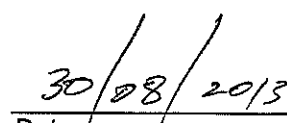
APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



D Nasson
Municipal Manager



Date

WITZENBERG MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Notes	2013 R	2012 R
ASSETS			
Current Assets		92 096 072	79 520 307
Cash and Cash Equivalents	2	30 853 255	32 561 784
Receivables from exchange transactions	3	33 639 421	31 648 861
Receivables from non-exchange transactions	4	4 159 921	2 710 393
Inventory	5	5 386 185	5 401 138
Current Portion of Long-term Receivables	6	27 141	29 011
Unpaid Conditional Government Grants and Receipts	7	15 678 100	5 599 933
VAT Receivable (net)	8	2 352 049	1 569 187
Non-current assets held for sale	9	2 884 238	2 884 238
Non-Current Assets		607 324 699	531 854 779
Long-Term Receivables	6	200 525	247 491
Non-Current Investments	10	105 062	105 062
Property, Plant and Equipment	11	555 768 111	480 633 784
Intangible Assets	12	1 759 099	1 477 002
Investment Property	13	47 539 301	48 299 923
Heritage assets	14	550 000	550 000
Operating Lease Asset	15	28 049	31 997
Capitalised Restoration Cost	16	1 374 552	509 520
Total Assets		702 305 009	614 259 324
LIABILITIES			
Current Liabilities		80 212 562	81 219 143
Payables from exchange transactions	17	44 317 212	39 250 377
Consumer Deposits	18	1 862 631	1 741 866
Provisions	19	6 791 539	7 348 043
Current Employee benefits	20	12 526 114	11 392 476
Unspent Conditional Government Grants and Receipts	7	6 545 350	13 137 816
Unspent Public Contributions	21	624 664	699 642
Current Portion of Long-term Liabilities	22	7 545 052	7 648 923
Non-Current Liabilities		106 955 445	109 518 913
Long-term Liabilities	22	33 026 829	37 626 852
Non-Current Provisions	23	16 774 616	14 209 553
Employee benefits	24	57 154 000	57 682 508
Total Liabilities		187 168 007	190 738 056
Net Assets		515 137 002	423 521 268
Capital Replacement Reserve	25	8 565 886	6 414 513
Accumulated Surplus		506 571 116	417 106 755
Total Net Assets and Liabilities		702 305 009	614 259 324

WITZENBERG MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Restated) R	2012 Correction of error R	2012 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		192 522 607	152 744 154	-	152 744 154
Taxation Revenue		45 277 877	38 666 814	-	38 666 814
Property rates	26	44 230 471	37 624 624	-	37 624 624
Property Rates - penalties imposed and collection charges		1 047 406	1 042 190	-	1 042 190
Transfer Revenue		147 244 730	114 077 340	-	114 077 340
Fines		760 499	897 473	-	897 473
Government Grants and Subsidies - Capital	27	73 085 201	58 971 308	-	58 971 308
Government Grants and Subsidies - Operating	27	72 347 109	53 994 181	-	53 994 181
Public Contributions and Donations		1 051 921	214 378	-	214 378
Revenue from Exchange Transactions		228 913 599	200 014 201	-	200 014 201
Service Charges	28	207 843 496	180 073 921	-	180 073 921
Rental of Facilities and Equipment		6 554 512	6 912 583	-	6 912 583
Interest Earned - external investments		2 053 378	2 089 182	-	2 089 182
Interest Earned - outstanding debtors		4 747 998	3 798 921	-	3 798 921
Licences and Permits		125 483	167 515	-	167 515
Agency Services		3 051 493	2 852 993	-	2 852 993
Other Income	29	4 536 790	4 115 917	-	4 115 917
Unamortised Discount - Interest		449	3 169	-	3 169
Total Revenue		421 436 206	352 758 355	-	352 758 355
EXPENDITURE					
Employee related costs	30	96 930 354	89 301 596	-	89 301 596
Remuneration of Councillors	31	6 932 325	6 638 931	-	6 638 931
Debt Impairment	32	19 722 706	20 637 333	-	20 637 333
Collection Costs		299 065	289 847	-	289 847
Depreciation and Amortisation	33	14 568 232	12 461 263	-	12 461 263
Repairs and Maintenance		13 525 359	14 205 850	-	14 205 850
Unamortised Discount - Interest paid		1 821 743	1 728 738	-	1 728 738
Finance Charges	35	10 232 804	12 252 472	7 763	12 244 709
Bulk Purchases	36	118 180 997	102 547 908	-	102 547 908
Contracted services		8 717 708	9 576 007	-	9 576 007
Grants and Subsidies	37	767 362	793 804	-	793 804
Operating Grant Expenditure		13 246 277	3 189 052	(80 126)	3 269 178
General Expenses	38	31 380 075	26 241 159	80 126	26 161 033
Total Expenditure		336 325 007	299 863 960	7 763	299 856 197
Gain / (loss) on disposal of assets		2 500	(274 033)	-	(274 033)
(Impairment loss)	34	(232 898)	(242)	-	(242)
Gain on Adjustment of Provision		598 555	-	-	-
Inventories: (Write-down) / Reversal of write-down		(1 728)	9 326	-	9 326
Gain / (loss) on Actuarial Valuations	24	6 138 104	(291 917)	-	(291 917)
NET SURPLUS FOR THE YEAR		91 615 732	52 337 529	(7 763)	52 345 292

WITZENBERG MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Capital Replacement Reserve	Accumulated Surplus/(Deficit)	Total
		R	R	R
Balance at 1 JULY 2011		5 568 197	365 717 810	371 286 006
Correction of error	39.50	-	(102 266)	(102 266)
Restated Balance at 1 JULY 2011		5 568 197	365 615 544	371 183 740
Contribution to Capital Replacement Reserve		10 186 322	(10 186 322)	-
Property, Plant and Equipment purchased		(9 340 005)	9 340 005	-
Net Surplus for the year		-	52 337 529	52 337 529
Balance at 30 JUNE 2012		6 414 514	417 106 756	423 521 269
Contribution to Capital Replacement Reserve		15 672 599	(15 672 599)	-
Property, Plant and Equipment purchased		(13 521 227)	13 521 227	-
Net Surplus for the year		-	91 615 732	91 615 732
Balance at 30 JUNE 2013		8 565 886	506 571 116	515 137 001

WITZENBERG MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	30 JUNE 2013 R	30 JUNE 2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Taxation	40	40 858 607	36 484 655
Sales of goods and services		210 443 549	178 589 811
Government Grants		128 518 466	111 604 065
Interest		7 848 782	6 930 293
Payments			
Employee costs		(90 187 122)	(83 597 268)
Suppliers		(193 146 714)	(151 270 343)
Finance charges	35	(10 232 804)	(12 252 472)
Transfers and Grants		(767 362)	(793 804)
Cash generated by operations	40	93 335 402	85 694 937
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(87 815 652)	(67 945 872)
Purchase of Intangible Assets		(885 195)	(390 527)
Proceeds on Disposal of Fixed Assets		12 500	868 678
Increase/(Decrease) in Long-term Receivables	6	48 836	(117 938)
Net Cash from Investing Activities		(88 639 511)	(67 585 660)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(6 525 186)	(7 472 308)
Increase in Consumer Deposits		120 765	50 724
Net Cash from Financing Activities		(6 404 421)	(7 421 584)
NET INCREASE/(DECREASE IN CASH AND CASH EQUIVALENTS)		(1 708 530)	10 687 693
Cash and Cash Equivalents at the beginning of the year		32 561 785	21 874 092
Cash and Cash Equivalents at the end of the year	2	30 853 255	32 561 785
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 708 530)	10 687 693

WITZENBERG MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED

	Actual 2013 R	Approved budget 2013 R	Adjustments 2013 R	Final budget 2013 R	Difference between final budget and actual	Actual 2012 R
Operating Revenue						
Property rates	44 230 471	43 882 168	496 077	44 378 245	-0.3%	37 624 624
Property Rates - penalties imposed and collection charges	1 047 406	729 000	-	729 000	43.7%	1 042 190
Fines	760 499	2 168 800	-	2 168 800	-64.9%	897 473
Government Grants and Subsidies - Capital	73 085 201	62 001 428	12 821 890	74 823 318	-2.3%	58 971 308
Government Grants and Subsidies - Operating	72 347 109	76 178 275	4 531 353	80 709 628	-10.4%	53 994 181
Public Contributions and Donations	1 051 921	-	16 200	16 200	6393.3%	214 378
Service Charges	207 843 496	208 306 789	6 632 665	214 939 454	-3.3%	180 073 921
Rental of Facilities and Equipment	6 554 512	7 749 090	-	7 749 090	-15.4%	6 912 583
Interest Earned - external investments	2 053 378	1 957 280	-	1 957 280	4.9%	2 089 182
Interest Earned - outstanding debtors	4 747 998	4 139 060	-	4 139 060	14.7%	3 798 921
Licences and Permits	125 483	244 180	-	244 180	-48.6%	167 515
Agency Services	3 051 493	2 864 260	-	2 864 260	6.5%	2 852 993
Other Income	4 536 790	3 393 513	21 257	3 414 770	32.9%	4 115 917
Unamortised Discount - Interest	449	-	-	-		3 169
Total revenue	421 436 206	413 613 843	24 519 442	438 133 285	3.8%	352 758 355
Operating Expenses						
Employee related costs	96 930 354	100 399 121	65 080	100 464 201	3.5%	89 301 596
Remuneration of Councillors	6 932 325	7 091 230	-	7 091 230	2.2%	6 638 931
Debt Impairment	19 722 706	11 962 280	2 000 000	13 962 280	-41.3%	20 637 333
Collection Costs	299 065	677 930	(198 000)	479 930	37.7%	289 847
Depreciation and Amortisation	14 568 232	18 623 342	-	18 623 342	21.8%	12 461 263
Repairs and Maintenance	13 525 359	14 202 082	651 232	14 853 314	8.9%	14 205 850
Unamortised Discount - Interest paid	1 821 743	1 814 212	-	1 814 212	-0.4%	1 728 738
Finance Charges	10 232 804	15 663 420	(1 046 280)	14 617 140	30.0%	12 252 472
Bulk Purchases	118 180 997	118 259 148	4 000 000	122 259 148	3.3%	102 547 908
Contracted services	8 717 708	9 128 340	802 069	9 930 409	12.2%	9 576 007
Grants and Subsidies	767 362	760 820	(19 000)	741 820	-3.4%	793 804
Operating Grant Expenditure	13 246 277	14 161 704	7 099 092	21 260 796	37.7%	3 189 052
Other expenses	24 875 542	34 106 694	1 204 426	35 311 120	29.6%	25 684 293
Total expenses	329 820 474	346 850 323	14 558 619	361 408 942	8.7%	299 307 094
Surplus/(deficit) for the period	91 615 732	66 763 520	9 960 823	76 724 343	-19.4%	53 451 261
Capital expenditure by vote						
Budget & Treasury Office	438	-	500	500	12.4%	54 416
Civil Services	72 527 014	55 472 969	19 902 443	75 375 412	3.8%	56 628 393
Community & Social Services	429 789	2 280 015	(1 681 113)	598 902	28.2%	740 785
Corporate Services	1 900 726	2 168 000	(20 558)	2 147 442	11.5%	979 347
Electro Technical Services	3 182 197	3 936 750	(566 776)	3 369 974	5.6%	3 628 139
Executive & Council	-	-	-	-		56 535
Housing	1 481	-	1 733	1 733	14.5%	5 813
Planning	-	-	-	-		10 190
Public Safety	1 459 238	1 193 678	313 339	1 507 017	3.2%	1 208 667
Sport & Recreation	6 740 518	9 891 183	(1 878 287)	8 012 896	15.9%	4 885 898
Total capital expenditure	86 241 401	74 942 595	16 071 281	91 013 876		68 198 183

The budget is approved on an accrual basis by vote classification as required by the Municipal Finance Management Act. The basis used for this comparison is by nature classification as required by General Recognised Accounting Practices. The approved budget covers the same period as the financial statements, from 1 July to 30 June.

The budget and accounting bases are the same; both are on the accrual basis. The financial statements are prepared using a classification on the nature of expenses in the statement of financial performance.

Please refer to Note 43 for more information on budget comparisons.

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions
GRAP 24	Presentation of Budget Information
GRAP 26	Impairment of cash-generating assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources

WITZENBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16(AC449)	Hedges in a Net Investment in a Foreign Operation

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	1 April 2013

The impact of the accounting policy based on the above GRAP standards on the financial statements is minimal.

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding

circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 25	Employee Benefits Information to a large extent is already included in the notes to the annual financial statements.	1 April 2013
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

1.7. RESERVES

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.8. LEASES

1.8.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.8.2. Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. PROVISIONS**1.11.1. GENERAL PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and
- when the plan will be implemented.

- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.11.2. REHABILITATION OF LANDFILL SITES PROVISIONS

Provision is made in terms of the licensing stipulations of the landfill sites, for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have discounted to present value at prime interest rate less 4%. The dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2012 and 2015.

1.12. EMPLOYEE BENEFITS

1.12.1. Post-Retirement Medical obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.12.2. Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.12.3. Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.12.4. Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

1.12.5. Performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.12.6. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.12.7. Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.13. PROPERTY, PLANT AND EQUIPMENT**1.13.1. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.13.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.13.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Years		Years
Infrastructure		Other	
Roads and Paving	5-100	Airports	20
Electricity	4-46	Buildings	30-100
Water	15-150	Computer equipment	3-30
Sanitation	15-60	Furniture and equipment	5-30
Other	10-15	Landfill sites	9-24
		Markets	30
Community		Other	3-30
Recreational Facilities	10-30	Other vehicles	5-67
Sport fields & Stadia	10-20	Plant and Equipment	5-32
Halls	5-97	Specialist vehicles	7-38
Libraries	10-30		
Parks and gardens	10		
Other assets	5-30		
Cemeteries	5-30		
Finance lease assets			
Office equipment	4		

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.13.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional arrangement as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The municipality updated the Land and Buildings acquired before 30 June 2008 to the fair value as determined by an independent valuator. For Other Assets the depreciation replacement cost method was used to establish the deemed cost as on 1 July 2008.

1.14. INTANGIBLE ASSETS

1.14.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

the municipality intends to complete the intangible asset for use or sale;
it is technically feasible to complete the intangible asset;
the municipality has the resources to complete the project; and
it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.14.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.14.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	5
Computer Software Licenses	5

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

1.14.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15. INVESTMENT PROPERTY

1.15.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an

investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.15.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.15.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	99 - 100

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

1.15.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. HERITAGE ASSETS

1.16.1. Initial Recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- the cost or fair value of the asset can be measured reliably.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

1.16.2. Subsequent Measurement

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

1.16.3. Impairment

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

1.16.4. De-recognition

The carrying amount of a heritage asset is derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.17.1. Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.17.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

Depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.18. COMMITMENTS

Commitments are disclosed in respect of contracted amounts for which delivery or project completion by the contractor is outstanding at the accounting date, and for amounts which approval has been obtained but not yet contracted for.

1.19. INVENTORIES

1.19.1. Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

The cost of purified water comprises cost of conversion and other cost incurred in bringing the inventory to their present location and condition.

1.19.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.20. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.21.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.21.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1. Receivables

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.2. Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.21.2.4. Non-Current Investments

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21.3. De-recognition of Financial Instruments

1.21.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

the rights to receive cash flows from the asset have expired; or
 the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.22. REVENUE

1.22.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.22.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter vouchers is recognised eight days after the sale of the relevant voucher.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.22.3. Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as

and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.23. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker, members of the Mayoral Committee and ordinary councillors.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. PRESENTATION OF BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements, has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. JOINT VENTURES

In respect of the municipalities' interest in jointly controlled assets, the municipality includes in its accounting records and recognises in its financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with other ventures in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

1.32. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2	CASH AND CASH EQUIVALENTS	2013 R	2012 R
	Assets		
	Call Investments Deposits	21 913 574	18 076 435
	Bank Accounts	8 931 456	14 476 952
	Cash Floats	8 225	8 397
	Total Cash and Cash Equivalents - Assets	30 853 255	32 561 784
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	The municipality has the following bank accounts:		
	Cash book balance at beginning of year	14 476 952	10 252 347
	Cash book balance at end of year	8 931 456	14 476 952
	The municipality changed it's Primary Bank Account from ABSA Bank Limited to The Standard Bank of South Africa Limited on 1 March 2013. The ABSA account has not been closed at year end as some debtors still pay their service accounts into the old account.		
	Primary Bank Account: Standard Bank - Account Number 203241819		
	Bank statement balance at beginning of year	-	
	Bank statement balance at end of year	12 855 343	
	ABSA Bank Limited - Account Number 350000011		
	Bank statement balance at beginning of year	16 461 234	12 518 038
	Bank statement balance at end of year	164 567	16 461 234
	Call Investment Deposits		
	Call investment deposits consist of the following accounts:		
	ABSA Bank Ltd - Account Number 9184483785	1 094 641	5 783 801
	First Rand Bank - Account Number 62192709164	63 995	61 437
	Nedbank Ltd - Account Number 03/7881032766/24	10 130 630	8 033 863
	Standard Bank of SA Ltd - Account Number 088779831-008	10 624 309	4 197 335
		21 913 574	18 076 435
3	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	28 334 228	25 287 370
	Water	39 770 496	30 531 591
	Housing Rentals	1 732 028	1 421 901
	Refuse	23 188 758	18 111 213
	Sewerage	19 453 910	14 576 064
	Other	1 898 125	1 712 130
	Total Receivables from Exchange Transactions	114 377 545	91 640 269
	Less: Provision for Impairment	(80 738 124)	(59 991 408)
	Total Net Receivables from Exchange Transactions	33 639 421	31 648 861
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
	Included in receivables is the following accrued income (estimated consumption from the last meter reading to 30 June):		
	Accrued Income Electricity	12 824 898	11 262 252
	Accrued Income Water	2 693 795	2 405 394
	Ageing of Receivables from Exchange Transactions:		
	(Electricity): Ageing		
	Accrued Income Electricity	12 824 898	11 262 252
	Current (0 - 30 days)	11 354 395	10 076 361
	31 - 60 Days	567 272	563 160
	61 - 90 Days	192 805	81 199
	+ 90 Days	3 394 858	3 304 399
	Total	28 334 228	25 287 371

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

RECEIVABLES FROM EXCHANGE TRANSACTIONS CONTINUED	2013 R	2012 R
<u>(Water): Ageing</u>		
Accrued Income Water	2 693 795	2 405 394
Current (0 - 30 days)	2 343 834	2 192 821
31 - 60 Days	957 326	946 925
61 - 90 Days	871 205	651 553
+ 90 Days	32 904 337	24 334 898
Total	39 770 496	30 531 591
<u>(Housing): Ageing</u>		
Current (0 - 30 days)	47 018	48 605
31 - 60 Days	34 215	27 880
61 - 90 Days	31 170	22 479
+ 90 Days	1 619 625	1 322 937
Total	1 732 028	1 421 901
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	1 414 496	1 385 470
31 - 60 Days	637 336	526 627
61 - 90 Days	466 580	380 566
+ 90 Days	20 670 345	15 818 550
Total	23 188 758	18 111 213
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	1 261 948	1 752 259
31 - 60 Days	2 003 180	460 807
61 - 90 Days	414 782	331 869
+ 90 Days	15 774 000	12 031 129
Total	19 453 910	14 576 064
<u>(Other): Ageing</u>		
Current (0 - 30 days)	77 483	112 599
31 - 60 Days	36 674	62 623
61 - 90 Days	30 659	13 760
+ 90 Days	1 753 309	1 523 148
Total	1 898 125	1 712 130
<u>(Total): Ageing</u>		
Accrued Income	15 518 693	13 667 646
Current (0 - 30 days)	16 499 174	15 568 115
31 - 60 Days	4 236 003	2 588 022
61 - 90 Days	2 007 201	1 481 426
+ 90 Days	76 116 474	58 335 060
Total	114 377 545	91 640 270
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	59 991 405	39 795 690
Contribution to provision	20 749 936	21 486 850
Bad Debts Written Off	(3 218)	(1 291 135)
Balance at end of year	80 738 123	59 991 405

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	14 975 942	11 604 078
Other Receivables	1 778 704	963 871
Accrued Fines	130 799	84 740
Irregular Expenditure	-	130 406
Deposits	224 616	224 615
SARS	524 109	524 110
Prepaid Expenditure	899 180	-
Total Receivables from Non-Exchange Transactions	16 754 646	12 567 949
Less: Provision for Impairment	(12 594 725)	(9 857 556)
Total Net Receivables from Non-Exchange Transactions	4 159 921	2 710 393

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	1 610 717	1 414 356
31 - 60 Days	231 023	236 594
61 - 90 Days	207 011	75 474
+ 90 Days	12 927 191	9 830 322
Total	14 975 942	11 556 746

Reconciliation of Provision for Bad Debts

Balance at beginning of year	9 857 556	9 069 481
Contribution to provision	2 882 346	849 147
Bad Debts Written Off	(145 177)	(61 072)
Balance at end of year	12 594 725	9 857 556

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

5 INVENTORY		
Consumable Stores - At cost	5 367 612	5 383 826
Land Held for Sale - At cost	-	-
Water - At purification cost	18 573	17 312
Total Inventory	5 386 185	5 401 138

Consumable stores materials written down due to losses as identified during the annual stores counts.	1 796	34
Consumable stores materials surpluses identified during the annual stores counts.	68	1 498
Consumable stores inventory recognised as an expense during the year	7 862 217	7 483 332

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
6 LONG-TERM RECEIVABLES		
Housing Loans	313 895	346 164
Sport Club Loans	58 355	60 332
Town Development	31 126	29 923
	<hr/>	<hr/>
	403 376	436 419
Less: Unamortised Discount on Loans	(7 260)	(7 260)
Balance 1 July	(7 260)	(9 834)
Adjustment for the period	<hr/>	<hr/>
	-	2 574
	<hr/>	<hr/>
	396 116	429 159
Less: Current portion transferred to current receivables	(27 141)	(29 011)
Housing Loans	(20 096)	(22 371)
Sport Club Loans	(7 045)	(6 640)
	<hr/>	<hr/>
	368 975	400 148
Less: Provision for Impairment	(168 450)	(152 657)
Total Long Term Receivables	<hr/>	<hr/>
	200 525	247 491
	<hr/>	<hr/>
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	152 657	172 170
Contribution to provision	15 793	21 528
Bad Debts Written Off	-	(41 041)
	<hr/>	<hr/>
Balance at end of year	168 450	152 657
	<hr/>	<hr/>
7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	6 545 350	13 137 816
National Government Grants	1 434 320	5 714 787
Provincial Government Grants	5 111 030	7 114 445
District Municipality	-	308 584
	<hr/>	<hr/>
	15 678 100	5 599 933
Less: Grants spend but not yet received	15 577 100	4 792 872
National Government Grants	101 000	129 804
Provincial Government Grants	-	677 257
District Municipality	<hr/>	<hr/>
	(9 132 750)	7 537 883
	<hr/>	<hr/>
See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
Please refer to Note 27 for more information on specific grants.		
8 VAT		
VAT PAYABLE		
VAT output in suspense	2 042 501	3 805 686
Total Vat payable	<hr/>	<hr/>
	2 042 501	3 805 686
	<hr/>	<hr/>
VAT RECEIVABLE		
VAT input in suspense	4 394 550	5 374 873
Total VAT receivable	<hr/>	<hr/>
	4 394 550	5 374 873
	<hr/>	<hr/>
NET VAT RECEIVABLE/(PAYABLE)	<hr/>	<hr/>
	2 352 049	1 569 187
	<hr/>	<hr/>
VAT is receivable/payable on the cash basis.		

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
9	NON-CURRENT ASSETS HELD FOR SALE		
	Erven	2 884 238	2 884 238
		2 884 238	2 884 238
	Council resolved on 18 August 2011 to alienate erven not required for basic service delivery.		
10	NON-CURRENT INVESTMENTS		
	Unlisted		
	Investment in Joint Ventures - at cost	105 062	105 062
	Total Non-Current Investments	105 062	105 062
	Managements valuations of the unlisted investments are as follows:		
	Ceres Koekedouw Bestuurskomitee - Joint Venture with Koekedouw Besproeingsraac	105 062	105 062
		105 062	105 062
	The Municipality has a 41% interest in the Ceres Koekedouw Management Committee. The equity method was used to recognise the interest in the joint venture. The joint venture operates the Koekedouw Dam. The financial statements are available at Witzenberg Municipality.		
	The municipalities assets and liabilities in respect of the dam is included in the statement of financial position of the municipality. The relevant expenditure is expensed in the statement of financial performance.		
	The carrying value of the asset and liability on the statement of financial position is R 30 273 938 and R 21 216 964 respectively.		
	The financial statements of the joint venture is summarised as follow:		
	Income	932 906	1 081 391
	Expenditure	(911 579)	(1 014 018)
	Non-current Assets	45 083	39 568
	Current Assets	2 309 004	853 768
	Non-current Liabilities	(2 138 847)	(513 225)
	Current Liabilities	(215 239)	(52 551)

Please note that the 2013 figures are preliminary.

11 PROPERTY, PLANT AND EQUIPMENT

11.1 30 JUNE 2013

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying value at 1 July 2012	71 146 145	100 238 192	243 295 399	42 077 386	121 333	23 755 328	480 633 783
Cost	71 146 145	104 352 070	318 831 528	43 046 952	728 997	37 884 173	575 989 866
Original Cost	71 146 145	104 352 070	318 831 528	43 046 952	728 997	37 884 173	575 989 866
Accumulated Impairments	-	-	-	-	-	(75 905)	(75 905)
Original Cost	-	-	-	-	-	(75 905)	(75 905)
Accumulated Depreciation	-	(4 113 878)	(75 536 129)	(969 567)	(607 664)	(14 052 940)	(95 280 178)
Original Cost	-	(4 113 878)	(75 536 129)	(969 567)	(607 664)	(14 052 940)	(95 280 178)
Acquisitions	-	18 785	75 561 563	6 737 785	691 343	4 806 126	87 815 602
Impairment	-	-	-	-	-	(157 830)	(157 830)
Impairment	-	-	-	-	-	(157 830)	(157 830)
Depreciation	-	(896 772)	(6 171 706)	(243 995)	(284 225)	(4 841 729)	(12 438 427)
Normal Depreciation	-	(896 772)	(6 171 706)	(243 995)	(284 225)	(4 841 729)	(12 438 427)
Carrying value of disposals	(10 000)	-	(75 068)	-	-	-	(85 068)
Cost	(10 000)	-	(189 175)	-	(728 997)	-	(928 172)
Accumulated Depreciation	-	-	114 107	-	728 997	-	843 104
Carrying value at 30 June 2013	71 136 145	99 360 205	312 610 189	48 571 176	528 451	23 561 895	555 768 061
Cost	71 136 145	104 370 855	394 203 916	49 784 737	691 343	42 690 300	662 877 296
Original Cost	71 136 145	104 370 855	394 203 916	49 784 737	691 343	42 690 300	662 877 296
Accumulated Impairments	-	-	-	-	-	(233 736)	(233 736)
Original Cost	-	-	-	-	-	(233 736)	(233 736)
Accumulated Depreciation	-	(5 010 650)	(81 593 728)	(1 213 561)	(162 892)	(18 894 669)	(106 875 500)
Original Cost	-	(5 010 650)	(81 593 728)	(1 213 561)	(162 892)	(18 894 669)	(106 875 500)

11 PROPERTY, PLANT AND EQUIPMENT

11.2 30 JUNE 2012

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying value at 1 July 2011	71 843 145	100 086 972	190 606 998	37 656 536	304 082	24 763 813	425 261 546
Cost	71 843 145	103 167 505	260 987 299	38 192 162	728 997	35 528 938	510 448 046
Original Cost	71 843 145	103 167 505	260 987 299	38 192 162	728 997	35 528 938	510 448 046
Accumulated Impairments	-	-	-	-	-	(95 536)	(95 536)
Original Cost	-	-	-	-	-	(95 536)	(95 536)
Accumulated Depreciation	-	(3 080 533)	(70 380 301)	(535 626)	(424 915)	(10 669 589)	(85 090 964)
Original Cost	-	(3 080 533)	(70 380 301)	(535 626)	(424 915)	(10 669 589)	(85 090 964)
Acquisitions	-	-	13 450 868	4 728 640	-	3 885 898	22 065 406
Capital under Construction	-	43 838	45 594 231	126 149	-	-	45 764 217
Transfers from/(to) Non-current Assets Held for Sale	(697 000)	-	-	-	-	-	(697 000)
Cost	(697 000)	-	-	-	-	-	(697 000)
Impairments	-	-	-	-	-	(242)	(242)
Impairments	-	-	-	-	-	(242)	(242)
Depreciation	-	(1 033 345)	(5 199 163)	(433 940)	(182 749)	(3 768 238)	(10 617 435)
Normal Depreciation	-	(1 033 345)	(5 199 163)	(433 940)	(182 749)	(3 768 238)	(10 617 435)
Carrying value of disposals	-	-	(16 807)	-	-	(1 125 904)	(1 142 711)
Cost	-	-	(60 142)	-	-	(1 530 663)	(1 590 805)
Accumulated Impairments	-	-	-	-	-	19 873	19 873
Accumulated Depreciation	-	-	43 335	-	-	384 886	428 221
Carrying value at 30 June 2012	71 146 145	99 097 465	244 436 127	42 077 385	121 333	23 755 327	480 633 782
Cost	71 146 145	103 211 343	319 972 256	43 046 951	728 997	37 884 173	575 989 865
Original Cost	71 146 145	103 211 343	319 972 256	43 046 951	728 997	37 884 173	575 989 865
Accumulated Impairments	-	-	-	-	-	(75 905)	(75 905)
Original Cost	-	-	-	-	-	(75 905)	(75 905)
Accumulated Depreciation	-	(4 113 878)	(75 536 129)	(969 566)	(607 664)	(14 052 941)	(95 280 178)
Original Cost	-	(4 113 878)	(75 536 129)	(969 566)	(607 664)	(14 052 941)	(95 280 178)

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12	INTANGIBLE ASSETS	2013	2012
		R	R
	Computer Software		
	Net Carrying amount at 1 July	1 477 002	1 621 669
	Cost	2 981 627	2 591 100
	Accumulated Amortisation	(1 504 625)	(969 431)
	Additions	885 196	390 527
	Amortisation	(603 099)	(535 194)
	Net Carrying amount at 30 June	1 759 099	1 477 002
	Cost	3 866 823	2 981 627
	Accumulated Amortisation	(2 107 724)	(1 504 625)

The following material intangible assets are included in the carrying value above

<u>Description</u>	<u>Remaining Amortisation</u> <u>Period</u>	Carrying Value	
Microsoft Office and Windows software	5	1 759 099	1 477 002

No intangible assets were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

13	INVESTMENT PROPERTY	48 299 923	50 776 490
	Net Carrying amount at 1 July		
	Cost	49 452 507	51 645 507
	Accumulated Depreciation	(1 152 584)	(869 017)
	Depreciation for the year	(760 622)	(289 329)
	Transfers	-	(2 187 238)
	Net Carrying amount at 30 June	47 539 301	48 299 923
	Cost	49 452 507	49 452 507
	Accumulated Depreciation	(1 913 206)	(1 152 584)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

14	HERITAGE ASSETS	550 000	550 000
	Net Carrying amount at 1 July		
	Cost	550 000	550 000
	Net Carrying amount at 30 June	550 000	550 000
	Cost	550 000	550 000

Heritage assets are carried at its cost less any accumulated impairment losses

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
		R	R
15	OPERATING LEASE ARRANGEMENTS		
	The Municipality as Lessor (Asset)		
	Balance on 1 July	31 997	32 897
	Movement during the year	(3 948)	(900)
	Balance on 30 June	28 049	31 997
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	35 662	32 420
	1 to 5 Years	102 892	106 721
	Total Operating Lease Arrangements	138 554	139 141
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
	The leases are in respect of land and buildings being leased out for periods ranging until 2016		
16	CAPITALISED RESTORATION COST		
	Net Carrying amount at 1 July	509 520	2 803 904
	Cost	9 509 958	10 785 035
	Accumulated Depreciation	(9 000 438)	(7 981 131)
	Acquisitions	1 631 116	116 249
	Adjustment for the period	-	(1 391 326)
	Depreciation for the year	(766 084)	(1 019 307)
	Net Carrying amount at 30 June	1 374 552	509 520
	Cost	11 141 074	9 509 958
	Accumulated Depreciation	(9 766 522)	(9 000 438)
17	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	34 593 293	31 335 161
	Deposits: Other	606 517	380 980
	Interest Accrued	56 659	1 321 575
	Other Creditors	355 585	300 082
	Library books	11 238	8 856
	Payments Received in Advance	3 638 724	3 024 112
	Pre-paid Electricity	640 981	622 432
	Retentions	4 414 215	2 257 179
	Total Trade Payables	44 317 212	39 250 377
	Payables are being recognised net of any discounts		
	Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.		
	The carrying value of trade and other payables approximates its fair value		
	Sundry deposits include hall, builders and housing Deposits.		
18	CONSUMER DEPOSITS		
	Water and Electricity	1 862 631	1 741 866
	Total Consumer Deposits	1 862 631	1 741 866
	The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.		

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

19	CURRENT PROVISIONS	2013 R	2012 R
	Current Portion of Rehabilitation of Landfill-sites - Note 23	6 791 539	7 348 043
	Total Provisions	6 791 539	7 348 043

20	CURRENT EMPLOYEE BENEFITS		
	Current Portion of Post Retirement Benefits - Note 24	1 522 000	1 263 000
	Current Portion of Long-Service Provisions - Note 24	565 000	264 669
	Current Portion of Ex-gratia Pension Provisions - Note 24	105 000	112 741
	Staff Leave	6 675 642	6 634 900
	Performance Bonuses	930 974	620 471
	Staff Bonuses	2 727 498	2 496 695
	Total Current Employee Benefits	12 526 114	11 392 476

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	6 634 901	4 668 121
Contribution to current portion	290 588	2 289 571
Expenditure incurred	(249 847)	(322 791)
Balance at end of year	6 675 642	6 634 901

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Performance Bonuses

Balance at beginning of year	620 471	574 885
Contribution to current portion	310 503	620 471
Expenditure incurred	-	(574 885)
Balance at end of year	930 974	620 471

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council.

Staff Bonuses

Balance at beginning of year	2 496 695	2 225 686
Contribution to current portion	4 714 107	4 195 331
Expenditure incurred	(4 483 305)	(3 924 322)
Balance at end of year	2 727 497	2 496 695

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle.

Backdated Remuneration

Balance at beginning of year	-	2 460 667
Expenditure incurred	-	(2 460 667)
Balance at end of year	-	-

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
21 UNSPENT PUBLIC CONTRIBUTIONS		
China - Water meters	222 677	276 740
Essen Belgium	401 987	422 902
Total Unspent Public Contributions	<u>624 664</u>	<u>699 642</u>
Reconciliation of public contributions		
<u>China - Water meters</u>		
Opening balance	276 740	277 370
Conditions met - Transferred to revenue	(54 063)	(630)
Closing balance	<u>222 677</u>	<u>276 740</u>
3580 Water meters were donated by the Chinees Government to the Witzenberg Municipality. The purpose of the donation is to provide water connections to poor households.		
<u>Essen Belgium</u>		
Opening balance	422 902	88 199
Contributions received	247 626	548 451
Conditions met - Transferred to revenue	(268 541)	(213 748)
Closing balance	<u>401 987</u>	<u>422 902</u>

A twining agreement exists between Essen in Belgium and the Witzenberg Municipality. The purpose of the agreement is youth development and crèches.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22	LONG-TERM LIABILITIES	2013 R	2012 R
	Annuity Loans - At amortised cost	44 376 732	52 115 199
	Capitalised Lease Liability - At amortised cost	1 213 280	-
		45 590 012	52 115 199
	Current Portion transferred to Current Liabilities	(7 545 052)	(7 648 923)
	Annuity Loans - At amortised cost	(7 320 766)	(7 648 923)
	Capitalised Lease Liability - At amortised cost	(224 286)	-
		38 044 960	44 466 276
	Unamortised charges on loans	(5 018 131)	(6 839 424)
	Balance 1 July	(6 839 424)	(8 567 567)
	Adjustment for the period	1 821 293	1 728 143
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	33 026 829	37 626 852

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below

Amounts payable under annuity loans:

	Minimum annuity payments
Payable within one year	12 414 777
Payable within two to five years	40 516 170
Payable after five years	8 177 263
	61 108 210
Less: Future finance obligations	(16 731 478)
Present value of annuity obligations	44 376 732

Annuity loans at amortised cost is calculated at an average 12.47% interest rate, with a final maturity date of 30 June 2023.

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

	Minimum lease payments
Payable within one year	260 046
Payable within two to five years	314 195
Payable after five years	-
	574 241
Less: Future finance obligations	(52 304)
Present value of lease obligations	521 937

Leases are secured by property, plant and equipment - Note 11

23 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	16 774 616	14 209 553
Total Non-current Provisions	16 774 616	14 209 553

The provision includes the rehabilitation cost of landfill sites in Ceres, Prince Alfred's Hamlet, Op-die-Berg, Tulbagh and Wolseley. The closing dates of the sites are:

Ceres - 2010 (The site is longer in operation)

Prince Alfred's Hamlet - 2014

Op-die- Berg - 2014

Tulbagh - 2014

Wolseley - 2020

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NON-CURRENT PROVISIONS CONTINUED

	2013	2012
	R	R
<u>Landfill Sites</u>		
Balance 1 July	21 557 597	21 745 403
Contribution for the year	1 032 560	116 249
Unwinding of Interest	975 998	1 087 270
Adjustment for the period	-	(1 391 326)
Total provision 30 June	23 566 155	21 557 596
Less: Transfer of Current Portion to Current Provisions - Note 19	(6 791 539)	(7 348 043)
Balance 30 June	16 774 616	14 209 553

24

EMPLOYEE BENEFITS

Post Retirement Benefits	52 408 000	55 584 812
Long Service Awards	4 511 000	1 873 372
Ex-Gratia Pension Benefits	235 000	224 324
Total Non-current Employee Benefit Liabilities	57 154 000	57 682 508

Post Retirement Benefits

Balance 1 July	56 847 812	51 015 674
Contribution for the year	2 986 400	2 730 675
Interest Cost	4 559 400	4 401 759
Expenditure for the year	(1 371 126)	(1 304 409)
Actuarial Loss/(Gain)	(9 092 486)	4 113
Total post retirement benefits 30 June	53 930 000	56 847 812
Less: Transfer of Current Portion - Note 20	(1 522 000)	(1 263 000)
Balance 30 June	52 408 000	55 584 812

Long Service Awards

Balance 1 July	2 138 041	1 806 355
Contribution for the year	279 377	250 706
Interest Cost	126 572	127 576
Expenditure for the year	(339 040)	(340 320)
Actuarial Loss/(Gain)	2 871 050	293 724
Total long service 30 June	5 076 000	2 138 041
Less: Transfer of Current Portion - Note 20	(565 000)	(264 669)
Balance 30 June	4 511 000	1 873 372

Ex-Gratia Pensions

Balance 1 July	337 065	327 352
Contribution for the year	4 044	3 975
Interest Cost	20 559	26 436
Expenditure for the year	(105 000)	(14 778)
Actuarial Loss/(Gain)	83 332	(5 920)
Total Ex-Gratia 30 June	340 000	337 065
Less: Transfer of Current Portion - Note 20	(105 000)	(112 741)
Balance 30 June	235 000	224 324

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	59 322 918	53 149 381
Contribution for the year	3 269 821	2 985 356
Interest cost	4 706 531	4 555 771
Expenditure for the year	(1 815 166)	(1 659 507)
Actuarial Loss/(Gain)	(6 138 104)	291 917
Total employee benefits 30 June	59 346 000	59 322 918
Less: Transfer of Current Portion - Note 20	(2 192 000)	(1 640 410)
Balance 30 June	57 154 000	57 682 508

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

EMPLOYEE BENEFITS CONTINUED		2013	2012
		R	R
24.1 Post-employment Health Care Benefits			
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:			
In-service (employee) members		255	248
In-service (employee) non-members		248	265
Continuation members (e.g. Retirees, widows, orphans)		55	53
Total Members		558	566
		2013	2012
		R	R
The liability in respect of past service has been estimated to be as follows			
In-service members		35 087 000	38 525 020
Continuation members		18 843 000	18 322 792
Total Liability		53 930 000	56 847 812
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2011	2010	2009
	R	R	R
In-service members	32 437 101	26 124 600	22 717 210
Continuation members	18 578 573	10 151 587	9 217 993
Total Liability	51 015 674	36 276 187	31 935 203
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:			
Bonitas; LA Health Samwumed; and Keyhealth.			
Key actuarial assumptions used:		2013	2012
i) Rate of interest			
Discount rate		7.89%	8.11%
Health Care Cost Inflation Rate		7.14%	6.94%
Net Effective Discount Rate		0.70%	1.09%
ii) Mortality rates			
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries			
iii) Normal retirement age			
It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.			
		2013	2012
		R	R
The amounts recognised in the Statement of Financial Position are as follows			
Present value of fund obligations		53 930 000	56 847 812
Net liability/(asset)		53 930 000	56 847 812
The municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits, paragraph 155 (a).			

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

EMPLOYEE BENEFITS CONTINUED

	2013	2012
	R	R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	56 847 812	51 015 674
Total expenses	6 174 674	5 828 025
Current service cost	2 986 400	2 730 675
Interest Cost	4 559 400	4 401 759
Benefits Paid	(1 371 126)	(1 304 409)
Actuarial (gains)/losses	(9 092 486)	4 113
Present value of fund obligation at the end of the year	53 930 000	56 847 812
Less: Transfer of Current Portion - Note 20	(1 522 000)	(1 263 000)
Balance 30 June	52 408 000	55 584 812

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (R'000)	Continuation members liability (R'000)	Total liability (R'000)
Central Assumptions	35 087	18 843	53 930

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (R'000)	Continuation members liability (R'000)	Total liability (R'000)	% change
Central assumptions		35 087	18 843	53 930	
Health care inflation	1%	39 672	21 305	60 977	13
Health care inflation	-1%	30 576	16 421	46 997	-13
Mortality rate	20%	32 577	17 495	50 072	-7
Mortality rate	-20%	38 218	20 525	58 743	9

24.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses

504	504
-----	-----

i) Rate of interest

Discount rate	7.40%	6.30%
General Salary Inflation (long-term)	6.66%	5.98%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.69%	0.31%

2013	2012
R	R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	5 076 000	2 138 041
Net liability	5 076 000	2 138 041

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011	2010	2009
	R	R	R
Net liability	1 806 355	1 522 979	1 393 580

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

EMPLOYEE BENEFITS CONTINUED

	2013	2012
	R	R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	2 138 041	1 806 355
Total expenses	66 909	37 962
Current service cost	279 377	250 706
Interest Cost	126 572	127 576
Benefits Paid	(339 040)	(340 320)
Actuarial (gains)/losses	2 871 050	293 724
Present value of fund obligation at the end of the year	5 076 000	2 138 041
Less: Transfer of Current Portion - Note 20	(565 000)	(264 669)
Balance 30 June	4 511 000	1 873 372

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R'000)	% change
Central assumptions		5 076	
General salary inflation	1.00%	5 440	7%
General salary inflation	-1.00%	4 747	-6%
Withdrawal rates	20%	4 788	-6%
Withdrawal rates	-20%	5 402	6%

24.3 Ex-Gratia Pension Benefits

The Ex-Gratia Pension Benefits plans are defined benefit plans.

As at year end, the following number of employees were eligible for Ex-Gratia Pension Benefits	42	47
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i) Rate of interest

Discount rate	7.40%	6.13%
General Salary Inflation (long-term)	6.91%	6.26%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.46%	-0.13%

	2013	2012
	R	R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	340 000	337 065
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Net liability	340 000	337 065
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The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011	2010	2009
	R	R	R
Net liability	327 352	360 815	346 951

	2013	2012
	R	R

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	337 065	327 352
Total expenses	(80 397)	15 633
Current service cost	4 044	3 975
Interest Cost	20 559	26 436
Benefits Paid	(105 000)	(14 778)
Actuarial (gains)/losses	83 332	(5 920)
Present value of fund obligation at the end of the year	340 000	337 065
Less: Transfer of Current Portion - Note	(105 000)	(112 741)
Balance 30 June	235 000	224 324

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

EMPLOYEE BENEFITS CONTINUED

	2013 R	2012 R
24.4 Retirement funds		
<u>CAPE JOINT PENSION FUND</u>		
<p>The funding level of the CJPF Defined Benefit section was 98.1% as at the 30 June 2011 valuation date compared with a 100% funding level as at 30 June 2010. The valuation actuary recommended a total contribution rate of 32.40% which was in excess of the 27.0% contribution rate prevailing as at 30 June 2011.</p>		
Contributions paid recognised in the Statement of Financial Performance	319 071	251 351
<u>SOUTH AFRICAN LOCAL AUTHORITIES PENSION FUND</u>		
<p>The funding level at the most recent actuarial valuation (1 July 2011) of 98.1% was calculated on a Discounted Cash Flow (DCF) basis. This deficit was lower than as at the previous valuation on 1 July 2010. The valuation actuary recommended that the prevailing employer contribution rate at 1 July 2011 be maintained at 19.18%. This includes a margin of 3.53% over and above the contribution rate required to fund the Projected Unit Method future service benefits and associated costs. The valuation actuary expected that the funding level would be close to 100% as at the next statutory valuation date of 1 July 2012.</p>		
Contributions paid recognised in the Statement of Financial Performance	262 930	241 334
<u>DEFINED CONTRIBUTION FUNDS</u>		
<p>Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, Nationale Fund for Municipale Employees (IMATU) and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.</p>		
Contributions paid recognised in the Statement of Financial Performance		
Cape Joint Retirement Fund	7 462 622	6 878 930
Municipal Councillors Pension Fund	200 402	288 103
Nasionale Fonds Vir Munisipale Werknemers (IMATU)	94 286	83 999
SAMWU National Provident Fund	2 431 021	2 375 442
	10 188 331	9 626 474
25 NET ASSET RESERVES		
Capital Replacement Reserve	8 565 886	6 414 513
Total Net Asset Reserves	8 565 886	6 414 513

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

26	PROPERTY RATES	2013	2012
		R	R
	<u>Actual</u>		
	Rates Levied	44 709 660	38 071 975
	Business	7 807 814	5 669 553
	Building Clauses	106 371	34 651
	Rural	10 163 055	7 806 394
	Industrial	4 532 741	4 165 394
	Residential	16 724 092	15 508 888
	State	4 495 817	4 024 023
	Vacant Land	871 604	855 524
	Public Service Infrastructure	8 166	7 548
	Less: Revenue Forgone	(479 189)	(447 351)
	Total Assessment Rates	44 230 471	37 624 624
	<u>Valuations - 1 JULY</u>		
	Rateable Land and Buildings		
	Residential Property	2 414 481 366	2 379 660 190
	Commercial Property	674 844 700	609 952 122
	Industrial Property	322 615 000	323 842 000
	Informal Property	22 246 000	21 816 000
	Agricultural Purposes	3 802 219 623	3 847 479 123
	State - National/ Provincial Services	320 327 000	317 813 000
	Municipal Property	258 255 260	280 572 510
	Vacant Property	89 618 884	91 464 310
	Total Valuation	7 904 607 833	7 872 599 255

Assessment Rates are levied on the value of land and improvements. The valuation is performed every 4 years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Rates:

Residential	0.740c/R	0.685c/R
Commercial	1.405c/R	1.301c/R
Industrial	1.405c/R	1.301c/R
Bona Fide Agricultural	0.185c/R	0.171c/R

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential - The first R15 000 on the valuation is exempted.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

27	GOVERNMENT GRANTS AND SUBSIDIES	2013	2012
		R	R
	Unconditional Grants	46 200 000	39 305 000
	Equitable Share	46 200 000	39 305 000
	Conditional Grants	99 232 310	73 660 489
	Grants and donations	99 232 310	72 995 489
	Subsidies	-	665 000
	Total Government Grants and Subsidies	145 432 310	112 965 489
	Government Grants and Subsidies - Capital	73 085 201	58 971 308
	Government Grants and Subsidies - Operating	72 347 109	53 994 181
		145 432 310	112 965 489

Please refer to appendix D for more detailed disclosure of Government Grants and Subsidies

The Municipality does not expect any significant changes to the level of grants

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GOVERNMENT GRANTS AND SUBSIDIES CONTINUED		2013 R	2012 R
27.1	Equitable share		
	Grants received	46 200 000	39 305 000
	Conditions met - Operating	(46 200 000)	(39 305 000)
	Conditions still to be met/(Grant expenditure to be recovered)	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.			
27.2	Local Government Financial Management Grant (FMG)		
	Opening balance	(422 255)	(328 669)
	Grants received	1 250 000	1 250 000
	Conditions met - Operating	(1 055 217)	(1 343 586)
	Write off / Transfers	167 188	-
	Conditions still to be met/(Grant expenditure to be recovered)	(60 284)	(422 255)
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).			
27.3	Municipal Systems Improvement Grant		
	Opening balance	106 274	21 831
	Grants received	800 000	1 200 000
	Conditions met - Operating	(161 247)	(442 043)
	Conditions met - Capital	(745 027)	(673 514)
	Conditions still to be met/(Grant expenditure to be recovered)	-	106 274
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.			
27.4	Municipal Infrastructure Grant (MIG)		
	Opening balance	(804 844)	(1 211 704)
	Grants received	22 112 000	18 229 000
	Conditions met - Operating	(2 658 286)	(2 091 353)
	Conditions met - Capital	(19 406 535)	(15 730 787)
	Conditions still to be met/(Grant expenditure to be recovered)	(757 665)	(804 844)
The grant was used to upgrade infrastructure in previously disadvantaged areas.			
27.5	Housing Grants		
	Opening balance	6 193 692	3 652 233
	Grants received	23 311 641	15 703 209
	Conditions met - Operating	(11 553 893)	(1 394 363)
	Conditions met - Capital	(13 385 901)	(11 767 387)
	Conditions still to be met/(Grant expenditure to be recovered)	4 565 539	6 193 692
Housing grants was utilised for the development of erven and the erection of top structures.			
27.6	Integrated National Electrification Grant		
	Opening balance	(824 041)	772 895
	Conditions met - Operating	(146 000)	(189 836)
	Conditions met - Capital	-	(1 407 100)
	Conditions still to be met/(Grant expenditure to be recovered)	(970 041)	(824 041)
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.			

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GOVERNMENT GRANTS AND SUBSIDIES CONTINUED		2013 R	2012 R
27.7	Other Grants		
	Opening balance	3 289 056	5 992 723
	Grants received	34 844 825	35 916 856
	Conditions met - Operating	(10 343 435)	(9 228 003)
	Conditions met - Capital	(39 533 557)	(29 392 520)
	Write off / Transfers	(167 188)	-
	Conditions still to be met/(Grant expenditure to be recovered)	(11 910 299)	3 289 056
	Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)		
27.8	Total Grants		
	Opening balance	7 537 882	8 899 309
	Grants received	128 518 466	111 604 065
	Conditions met - Operating	(72 118 078)	(53 994 184)
	Conditions met - Capital	(73 071 020)	(58 971 308)
	Conditions still to be met/(Grant expenditure to be recovered)	(9 132 750)	7 537 882
	Disclosed as follows:		
	Unspent Conditional Government Grants and Receipts	6 545 350	13 137 816
	Unpaid Conditional Government Grants and Receipts	(15 678 100)	(5 599 933)
		(9 132 750)	7 537 883
	SERVICE CHARGES		
	Electricity	148 438 053	129 808 712
	Water	30 752 672	29 191 110
	Refuse removal	20 860 896	19 661 672
	Sewerage and Sanitation Charges	20 290 957	17 168 496
	Bulk service levies	1 120 532	409 110
		221 463 110	196 239 100
	Less: Revenue Forgone	(13 619 614)	(16 165 179)
	Total Service Charges	207 843 496	180 073 921
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
	OTHER INCOME		
	Application fees - Town Planning	69 862	54 027
	Building Plan Fees	894 089	529 358
	Cemetery Fees	194 353	198 585
	Clip Cards	205 995	103 008
	Collection Fees	8 792	2 047
	Damages Income	9 594	17 813
	Housing	283 027	239 460
	Insurance Claims Received	362 697	244 748
	Re-connection fees	220 025	175 768
	Refuse Bags	6 489	5 597
	Servitudes	880 811	-
	Skills Development Levies received	381 421	97 632
	Special Projects	33 840	32 178
	Sundry Income	985 795	2 415 696
	Total Other Income	4 536 790	4 115 917

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30	EMPLOYEE RELATED COSTS	2013 R	2012 R
	Salaries and Wages	63 726 386	56 902 632
	Bargaining Council Levy	49 297	26 765
	Bonuses	5 042 542	4 885 413
	Contributions For Pensions	10 043 620	9 074 785
	Contributions For Medical Aids	4 305 233	3 895 804
	Contributions For UIF	626 503	576 224
	Ex-Gratia Pension	(97 214)	3 975
	Group Life Insurance	1 305 810	1 160 272
	Housing Benefits and Allowances	676 269	704 452
	Leave Reserve	290 589	2 241 663
	Long service awards	279 377	250 706
	Overtime	4 559 151	4 389 813
	Post Employment Health Care Benefits	2 986 400	2 728 332
	Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 525 330	2 849 380
		<hr/>	<hr/>
		97 319 293	89 690 216
	Less: Employee Cost allocated elsewhere	(388 939)	(388 620)
	Total Employee Related Costs	96 930 354	89 301 596

KEY MANAGEMENT PERSONNEL

The Municipal Manager and Directors are appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	826 531	771 370
Performance Bonuses		140 903
Car Allowance	108 000	108 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	203 056	188 772
Total	1 137 587	1 209 045

Remuneration of the Director Technical Services

Annual Remuneration	665 061	339 272
Performance Bonuses	-	108 496
Travelling Allowance	137 500	50 478
Contributions to UIF, Medical, Pension Funds and Bargaining Council	3 128	89 624
Total	805 689	587 870

Remuneration of the Director Corporate Services

Annual Remuneration	632 769	588 053
Performance Bonuses		108 495
Travelling Allowance	119 363	119 363
Contributions to UIF, Medical, Pension Funds and Bargaining Council	124 588	115 743
Total	876 719	931 654

Remuneration of the Director Financial Services

Annual Remuneration	474 576	588 053
Performance Bonuses		108 495
Car Allowance	89 522	119 363
Acting Allowance		5 651
Contributions to UIF, Medical, Pension Funds and Bargaining Council	91 395	115 743
Total	655 493	937 305

Remuneration of the Director Community Services

Annual Remuneration	606 172	587 223
Performance Bonuses	-	108 495
Car Allowance	57 689	86 534
Contributions to UIF, Medical, Pension Funds and Bargaining Council	105 954	149 401
Total	769 816	931 653

The performance bonuses for the 2011/2012 financial year were paid during July 2013

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

31	REMUNERATION OF COUNCILLORS	2013 R	2012 R
	Executive Mayor	579 550	558 662
	Deputy Mayor	453 252	436 081
	Speaker	481 423	455 200
	Mayoral Committee Members	1 777 284	1 711 828
	Ordinary Councillors	2 855 032	2 724 945
	Pension fund contributions	759 732	734 935
	Medical aid contributions	26 052	17 280
	Total Councillors' Remuneration	6 932 325	6 638 931
	<i>In-kind Benefits</i>		
	The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Executive Mayor, Speaker and all the Mayoral committee members are provided with secretarial support and an office at the cost of the Council.		
32	DEBT IMPAIRMENT		
	Long term Receivables - Note 6	-	152 657
	Receivables from exchange transactions - Note 3	16 840 361	19 696 600
	Receivables from non-exchange transactions - Note 4	2 882 345	788 076
	Total Contribution to Debt Impairment	19 722 706	20 637 333
33	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	12 438 427	10 522 761
	Investment Property	760 622	384 002
	Intangible Assets	603 099	535 193
	Capitalised restoration cost	766 084	1 019 307
		14 568 232	12 461 263
34	IMPAIRMENTS		
	Property Plant & Equipment	232 898	242
		232 898	242
35	FINANCE CHARGES		
	Long-term Liabilities	4 550 268	6 571 400
	Ex-Gratia Pension	20 559	26 436
	Bank Overdraft	7	25
	Post Employment Health Care Benefits	4 559 400	4 401 759
	Long service awards	126 572	127 576
	Capitalised restoration cost	975 998	1 087 271
	Other	-	38 005
	Total finance charges	10 232 804	12 252 472
36	BULK PURCHASES		
	Electricity	118 180 997	102 547 908
	Total Bulk Purchases	118 180 997	102 547 908
37	GRANTS AND SUBSIDIES		
	Sport	36 700	50 000
	Council	147 210	216 054
	Tourism	583 452	527 750
	Total Grants and Subsidies	767 362	793 804

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

38	GENERAL EXPENSES	2013	2012
		R	R
	Audit Fees	3 191 390	2 197 757
	Bank Charges	379 118	423 928
	Cellphone	442 711	438 079
	Chemicals	935 426	770 154
	Communication & Events	287 065	234 549
	Commission	1 234 273	859 644
	Consultant Fees	72 429	428 303
	Developing Projects	166 489	196 059
	Entertainment	495 206	486 303
	Escom Electricity	962 093	671 316
	Expenditure against Public Donations	270 021	226 007
	Indigent costs	454 068	710 011
	Insurance	840 544	782 949
	Investigations	434 628	443 167
	Koekedouw	75 407	214 528
	Membership Fees	807 523	674 381
	Printing and Stationary	1 899 084	2 321 138
	Projects	376 706	329 837
	Protective Clothing	529 734	417 834
	Professional Fees	698 200	-
	Refuse bags	1 118 835	975 045
	Rental of Offices	438 930	458 095
	Sewerage anlysis	593 493	461 876
	Strategic Partnerships	278 368	322 465
	Telephone and Postage	1 694 113	1 791 621
	Training	881 143	492 105
	Travel and Accommodation	1 125 548	1 490 281
	TV Transponder	157 208	210 328
	Valuation Costs	1 055 685	242 043
	Vehicle Fleet Costs	5 211 058	4 790 679
	Veterinary Expenses	313 769	339 250
	Ward Committee Allowance	541 000	-
	Wards	280 088	80 126
	Water levies	490 618	290 852
	Other	2 648 104	1 470 449
	General Expenses	31 380 075	26 241 159
		<hr/>	<hr/>
39	CORRECTION OF ERROR IN TERMS OF GRAP 3		
	STATEMENT OF FINANCIAL POSITION		
39.1	Long-term Liabilities		
	Balance previously reported		45 165 745
	Correction of Redemption on Nedbank Loans Previous years - Note 39.4		102 266
	Correction of Redemption on Nedbank Loans: 2011/2012 - Note 39.5		7 763
	Balance now reported		45 275 774
			<hr/>
39.2	Property, Plant and Equipment		
	Balance previously reported		481 183 784
	Heritage assets was included in Property Plant & Equipment - Note 39.3		(550 000)
	Balance now reported		480 633 784
			<hr/>
39.3	Heritage assets		
	Balance previously reported		-
	Heritage assets was included in Property Plant & Equipment - Note 39.2		550 000
	Balance now reported		550 000
			<hr/>
39.4	Net Surplus For The Year		
	Surplus previously reported		52 345 292
	Correction of Redemption on Nedbank Loans: 2011/2012 - Note 39.1		(7 763)
	Surplus now reported		52 337 529
			<hr/>
39.5	Accumulated Surplus/(Deficit) 1 July 2011		
	Balance previously reported		365 717 810
	Correction of Redemption on Nedbank Loans Previous years - Note 39.1		(102 266)
	Balance now reported		365 615 544
			<hr/>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

40	RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS	2013 R	2012 R
	Surplus/(Deficit) for the year	91 615 732	52 337 529
	Adjustments for:		
	Depreciation	13 965 133	11 926 069
	Amortisation of Intangible Assets	603 099	535 194
	Gain on disposal of property, plant and equipment	(2 500)	(289 112)
	Loss on disposal of property, plant and equipment		563 145
	Gain on Adjustment of Provision	(598 555)	
	Unamortised Discount on Loans	1 821 294	1 725 569
	Debt Impairment	19 722 706	20 484 676
	Debt Impairment - Long term receivables	-	152 657
	Stock Adjustments	(1 728)	(9 326)
	Contribution from/to provisions	975 998	1 203 519
	Contribution from/to employee benefits	6 743 232	5 704 328
	Actuarial Loss	(6 138 104)	291 917
	Impairment written off	232 898	242
	Operating lease income accrued	3 948	900
	Operating Surplus/(Deficit) before changes in working capital	128 943 153	94 627 307
	Changes in working capital	(35 607 751)	(8 932 369)
	Increase/(Decrease) in Trade and Other Payables	5 066 835	12 227 817
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(6 592 466)	(1 956 264)
	Increase/(Decrease) in Unspent Public Contributions	(74 978)	334 073
	Increase/(Decrease) in Taxes	(782 862)	(1 955 769)
	(Increase)/Decrease in Inventory	16 681	(51 236)
	(Increase)/Decrease in Trade and other receivables	(23 162 794)	(18 125 830)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(10 078 167)	594 840
	Cash generated/(absorbed) by operations	93 335 402	85 694 938
41	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 2	30 853 255	32 561 784
	Investments - Note 10	105 062	105 062
		30 958 317	32 666 846
	Less:	6 545 350	13 137 816
	Unspent Committed Conditional Grants - Note 7	6 545 350	13 137 816
	Resources available for working capital requirements	24 412 967	19 529 030
	Allocated to:		
	Capital Replacement Reserve	8 565 886	6 414 513
	Employee Benefits Reserve	69 680 114	69 074 984
	Non-Current Provisions Reserve	16 774 616	14 209 553
	Shortfall in working capital requirements	(70 607 649)	(70 170 020)
42	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities - Note 22	45 590 012	52 115 199
	Used to finance property, plant and equipment - at cost	(45 590 012)	(52 115 199)
43	BUDGET COMPARISONS		
	Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
	Net surplus/deficit per the statement of financial performance	91 615 732	
	Adjusted for:		
	Fair value adjustments	a) (6 138 104)	
	Depreciation and Amortisation recognised / reversed	b) (4 055 110)	
	Increases in debt impairment	c) 5 760 426	
	Employee related cost	d) (3 533 847)	
	Finance Charges	e) (4 384 336)	
	Bulk Purchases	f) (4 078 151)	
	Operating Grant Expenditure	g) (8 014 519)	
	Other Expenditure	h) (7 144 827)	
	Rates & Service Charges	i) 6 925 326	
	Grants & Donations	j) 9 064 915	
	Other Income	k) 704 338	
	Net surplus/deficit per approved budget	76 724 343	

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

BUDGET COMPARISONS CONTINUED

	2013	2012
	R	R
a) Actuarial gains on Employee Benefits		
b) Depreciation less than expected due to slow capital spending		
c) Collection ratio less than expected.		
d) Employee cost less than budget due to vacancies not filled timeously		
e) Loans redeemed		
f) Bulk purchases less than expected.		
g) Unforeseen delays in housing delivery		
h) Other expenditure less than expected.		
i) Property rates increase due to the inclusion of the District Management Area		
j) Improved spending of Grants received.		
k) More interest earned than expected.		

Please refer to the statement of comparison of budget and actual amounts for more information

44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

44.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	14 595 714
Unauthorised expenditure current year - capita	-	73 559
Unauthorised expenditure current year - operating	-	13 649 655
Condoned by council	-	(28 318 928)
	<hr/>	<hr/>
Unauthorised expenditure awaiting authorisation	-	-
	<hr/>	<hr/>

44.2 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	110 720
Condoned by Council	-	(110 720)
	<hr/>	<hr/>
Irregular expenditure awaiting further action	-	-
	<hr/>	<hr/>

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED CONTINUED

44.3 Material Losses

Water distribution losses

- Kilolitres purified	6 786 705	6 666 785
- Kilolitres sold	5 330 908	4 560 196
- Kilolitres lost during distribution	1 455 797	2 106 589
- Percentage lost during distribution	21.45%	31.60%
- Value of kilolitres lost during distribution	855 135	1 525 167
- The value of kilolitres lost is based on the treatment cost of water.		

Electricity distribution losses

- Units purchased (Kwh)	193 057 642	190 189 018
- Units sold (Kwh)	176 902 110	173 950 236
- Units lost during distribution (Kwh)	16 155 532	16 238 782
- Percentage lost during distribution	8.37%	8.54%
- Value of units lost during distribution (Kwh)	9 889 673	8 755 780

45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Council subscriptions	801 114	667 416
Amount paid - current year	(801 114)	(667 416)
	<hr/>	<hr/>
Balance unpaid (included in Payables from exchange transactions)	-	-
	<hr/>	<hr/>

45.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	416 828	291 989
Current year audit fee	3 408 526	3 490 996
	<hr/>	<hr/>
External Audit - Auditor-General	3 191 390	1 905 768
Internal Audit	157 765	1 505 062
Audit Committee	59 371	80 166
	<hr/>	<hr/>
Amount paid - current year	3 408 526	(3 074 168)
Amount paid - previous year	416 828	(291 989)
	<hr/>	<hr/>
Balance unpaid (included in Payables from exchange transactions)	-	416 828
	<hr/>	<hr/>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45.3	<u>VAT - [MFMA 125 (1)(c)]</u>	2013	2012
		R	R
	Opening balance	(988 597)	678 043
	Amounts received - Output VAT - current year	(38 931 399)	(19 593 009)
	Amounts claimed - Input VAT - current year	34 129 406	16 324 400
	Amount paid - current year	2 804 777	2 280 012
	Amount paid - previous year	988 597	(678 043)
	Closing balance	(1 997 217)	(988 597)
	Vat in suspense due to cash basis of accounting		
	Input VAT	4 394 550	5 374 873
	Output VAT	(2 042 501)	(3 805 686)
	Receivable	2 352 049	1 569 187
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
45.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u>		
	Current year payroll deductions and Council Contributions	11 167 854	10 051 891
	Amount paid - current year	(11 167 854)	(10 051 891)
	Balance unpaid (included in Payables from exchange transactions)	-	-
45.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>		
	Current year payroll deductions and Council Contributions	25 239 230	21 691 510
	Amount paid - current year	(25 239 230)	(21 691 510)
	Balance unpaid (included in Payables from exchange transactions)	-	-
45.6	<u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>		
	The following Councillors had arrear accounts for more than 90 days as at 30 June 2013		
		Outstanding more than 90 days	Outstanding more than 90 days
	Mouton, JS	1 888	1 664
	Phungula, SL&JT	-	6 186
	Total Councillor Arrear Consumer Accounts	1 888	7 850
	During the year the following Councillors had arrear accounts outstanding for more than 90 days		
		Highest Amount Outstanding	Highest Amount Outstanding
	Godden, TT&C	738	36 451
	Heradien, P	763	2 844
	Mouton, JS	3 618	1 755
	Phungula, SL&JT	3 221	7 354
	Veschini, JA	2 363	-
		10 703	48 404

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45.7 Disclosers in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36 (1)(a) and (b)

	<u>Type of deviation</u>				
	Amount	Single Supplier	Impossible	Impractical	Emergency
July	397 720	17	-	15	6
August	517 710	13	-	19	9
September	844 722	35	-	18	12
October	659 661	25	-	22	4
November	552 335	19	-	18	16
December	523 080	18	-	24	7
January	521 332	17	-	32	11
February	398 783	18	-	25	11
March	830 915	18	-	28	11
April	627 294	10	-	19	22
May	864 592	41	-	24	9
June	522 338	10	-	25	12
	<u>7 260 481</u>	<u>241</u>	<u>-</u>	<u>269</u>	<u>130</u>

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT CONTINUE

Regulation 45 - Details of awards made to close family members of persons in service of State

Name of supplier	Member of company who has relationship with person in the service of the state	Relationship to person in the service of the state	Name of person in the service of the state	Employer and capacity of person in service of the state	Value of transactions
Witzenberg Builders and Painters	G Hanse	Father	T Davids	Cape Winelands District Municipality; Health inspector	1 995
Girly's Catering Services	G De Bruyn	Mother	M De Bruyn	Witzenberg Municipality; Clerk Debt collection	6 200
Williams Loodgieters	SR Williams	Husband	R Williams	Department of Health: Nurse	28 654
L & E Blinds	AHE De Jongh	Husband	E De Jongh	Department of Correctional Services; Correctional officer	43 626
Queens Cake	M Zimri	Wife	JJ Zimri	Department of Correctional Services; Correctional officer	183 548
		Mother	MM Zimri	Witzenberg Municipality; Intern: Financial Services	
RRR Cleaning Services	R Louw	Father	RML Louw	Witzenberg Municipality; Artisan, Housing	26 599
		Husband	M Louw	Department of Health: Nurse	
Creative Minds	Johan Jordaan	Husband	WA Jordaan	Department of Education: Occupational therapist	1 300
Creative Minds	R Louw	Father	EE Hofmeester	Witzenberg Municipality; Building Inspector	1 985
		Father	L Frieslaar	Department of Health: Administration officer	
		Father	AJ Hofmeester	Witzenberg Municipality; IDP Manager	
Creative Minds	John Schuurman	Husband	R Schuurman	Department of Education: Teacher	159 803

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
46	COMMITMENTS		
	Commitments in respect of expenditure:		
	Approved and contracted for.	36 285 623	14 903 856
47	FINANCIAL RISK MANAGEMENT		
	<p>The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.</p>		
	(a) Foreign Exchange Currency Risk		
	The municipality does not engage in foreign currency transactions		
	(b) Price risk		
	The municipality is not exposed to price risk.		
	(c) Interest Rate Risk		
	<p>As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.</p> <p>The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.</p> <p>The municipality did not hedge against any interest rate risks during the current year</p> <p>The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:</p>		
	1% (2012 - 0.5%) Increase in interest rates	(48 109)	(63 087)
	0.5% (2012 - 0.5%) Decrease in interest rates	48 109	63 087
	(d) Credit Risk		
	<p>Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.</p> <p>Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.</p> <p>Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.</p> <p>All rates and services are payable within 30 days from invoice date. Refer to note 3 and 4 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 3 for balances included in receivables that were re-negotiated for the period under review.</p>		

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

FINANCIAL RISK MANAGEMENT CONTINUED

Balances past due not impaired:

	2013 %	2013 R	2012 %	2012 R
<u>Long Term Receivables</u>				
Rates & other	50.62%	200 525	57.67%	247 491
<u>Non-Exchange Receivables</u>				
Rates & other charges	24.83%	4 159 921	21.57%	2 710 393
<u>Exchange Receivables</u>				
Electricity	82.72%	23 438 637	83.38%	21 084 523
Water	12.56%	4 994 940	17.74%	5 414 968
Housing Rentals	5.80%	100 542	7.46%	106 098
Refuse	9.09%	2 107 193	12.88%	2 333 596
Sewerage	13.95%	2 714 503	17.23%	2 511 743
Other	23.59%	447 816	11.56%	197 935
	29.55%	33 803 631	34.54%	31 648 863

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 3 and 4 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as

	2013 %	2013 R	2012 %	2012 R
<u>Long Term Receivables</u>				
Rates & other	0.18%	168 450	0.22%	152 657
<u>Non-Exchange Receivables</u>				
Rates & other	13.49%	12 594 725	14.08%	9 857 556
<u>Exchange Receivables</u>				
Electricity	5.25%	4 895 591	6.00%	4 202 847
Water	37.26%	34 775 556	35.88%	25 116 623
Housing Rentals	1.75%	1 631 486	1.88%	1 315 803
Refuse	22.59%	21 081 565	22.54%	15 777 617
Sewerage	17.93%	16 739 407	17.23%	12 064 321
Other	1.55%	1 450 309	2.16%	1 514 195
	86.33%	80 573 914	86%	59 991 406

The provision for bad debts could be allocated between the different categories of debtors as follows

	2013 %	2013 R	2012 %	2012 R
Residential	86.14%	80 404 824	86.30%	60 414 257
Commercial	0.00%	-	0.00%	1
Business	8.71%	8 126 636	8.08%	5 653 335
Government	0.58%	544 199	0.45%	315 968
Other	4.44%	4 141 295	5.17%	3 618 058
	99.87%	93 337 089	100.00%	70 001 619

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

FINANCIAL RISK MANAGEMENT CONTINUED	2013 %	2013 R	2012 %	2012 R
Bad debts written off per debtor class:				
<u>Long Term Receivables</u>				
Rates & other	0.00%	-	2.95%	41 041
<u>Non-Exchange Receivables</u>				
Rates	97.83%	145 177	4.38%	61 072
<u>Exchange Receivables</u>				
Electricity	0.54%	797	25.57%	356 278
Water	0.75%	1 119	30.87%	430 165
Housing Rentals	0.03%	49	1.44%	20 033
Refuse	0.44%	652	18.31%	255 172
Sewerage	0.37%	547	14.74%	205 365
Other	0.04%	53	1.73%	24 122
	2.17%	3 218	92.67%	1 291 135

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2013 R	2012 R
Financial assets exposed to credit risk at year end are as follows		
Long term receivables	227 666	276 502
Receivables from exchange transactions	33 639 421	31 648 861
Receivables from non-exchange transactions	1 778 704	963 871
Cash and Cash Equivalents	30 853 255	32 561 783
Non-Current Investments	105 062	105 062
Unpaid conditional grants and subsidies	15 678 100	5 599 933
	82 282 208	71 156 012

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

FINANCIAL RISK MANAGEMENT CONTINUED

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2013				
Long Term liabilities	12 414 777	40 203 694	8 390 315	-
Capital repayments	7 320 766	29 888 116	7 279 148	-
Interest	5 094 011	10 315 578	1 111 167	-
Trade and Other Payables	43 343 872	-	-	-
Unspent conditional government grants and receipts	6 545 350	-	-	-
Cash and Cash Equivalents				
	<u>62 303 999</u>	<u>40 203 694</u>	<u>8 390 315</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities	13 650 775	48 395 338	12 315 712	538 494
Capital repayments	7 648 923	33 901 504	9 931 265	523 476
Interest	6 001 852	14 493 834	2 384 447	15 018
Trade and Other Payables	38 560 458	-	-	-
Unspent conditional government grants and receipts	13 137 816	-	-	-
Cash and Cash Equivalents				
	<u>65 349 049</u>	<u>48 395 338</u>	<u>12 315 712</u>	<u>538 494</u>

48 FINANCIAL INSTRUMENTS

**2013
R** **2012
R**

In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows

The fair value of financial instruments approximates the amortised costs as reflected bellow

48.1 Financial Assets

Classification

Long-term Receivables

Officials Housing Loans	Financial instruments at amortised cost	313 895	346 164
Rates (Re-negotiated terms)	Financial instruments at amortised cost	58 355	60 332
Councillor Allowances	Financial instruments at amortised cost	31 126	29 923

Receivables

Receivables from exchange transactions	Financial instruments at amortised cost	33 639 421	31 648 861
Receivables from non-exchange transactions	Financial instruments at amortised cost	1 778 704	963 871

Other Receivables

Government Subsidies and Grants	Financial instruments at amortised cost	15 678 100	5 599 933
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Current Portion of Long-term Receivables

Officials Housing Loans	Financial instruments at amortised cost	20 096	22 371
Sport Club Loans	Financial instruments at amortised cost	7 045	

Short-term Investment Deposits

Call Deposits	Financial instruments at amortised cost	21 913 574	18 076 435
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Bank Balances and Cash

Bank Balances	Financial instruments at amortised cost	8 931 456	14 476 952
Cash Floats and Advances	Financial instruments at amortised cost	8 225	8 397

82 379 997 **71 233 239**

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost	82 379 997	71 233 239
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At amortised cost **82 379 997** **71 233 239**

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
FINANCIAL INSTRUMENTS CONTINUED			
48.2	<u>Financial Liability</u>		
	<u>Classification</u>		
	Long-term Liabilities		
	Annuity Loans	51 697 498	59 764 122
	Capitalised Lease Liability	1 437 566	-
	Payables from exchange transactions		
	Trade creditors	34 593 293	31 335 161
	Arrear portion of long term liabilities		
	Retentions	3 638 724	3 024 112
	Deposits	640 981	622 432
	Other	4 470 874	3 578 754
	Other Payables		
	Government Subsidies and Grants	6 545 350	13 137 816
	Current Portion of Long-term Liabilities		
	Annuity Loans	(7 320 766)	(7 648 923)
	Capitalised Lease Liability	(224 286)	-
		95 479 234	103 813 474
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	95 479 234	103 813 474
49	IN-KIND DONATIONS AND ASSISTANCE		
	The municipality did not receive any in-kind donations or assistance during the year under review		
50	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

51	CONTINGENT LIABILITY	2013 R	2012 R
	Claims against Council	8 118 660	3 679 716
	Estimate legal Fees	230 023	272 504
<p>The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. Management are respectfully of opinion that this matter will be successfully defended. The Municipality is defending all the claims. The amounts indicated is Management's estimated financial exposure. The following are narratives of the cases</p>			
	GP Bezuidenhout	844 349	844 349
	IMATU on behalve of GP Bezuidenhout	40 000	
	F Daniels / SALGBC & two others	196 944	196 944
	Ceres Inn	823	823
	Benjamin Weitz	1 210 000	1 210 000
	L Louw	1 427 600	1 427 600
	SALGA versus municipal trade unions	4 398 944	
		8 118 660	3 679 716

52 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

52.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in Note 6 to the Annual Financial Statements.

52.2 Compensation of key management personnel

The compensation of key management personnel is set out in Note 30 to the Annual Financial Statements

52.3 Other related party transactions

No purchases were made during the year where Councillors or staff have an interest

APPENDIX A - Unaudited
WITZENBERG MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Balance at 30 JUNE 2012 Restated	Received during the period	Redeemed / written off during the period	Balance at 30 JUNE 2013
ANNUITY LOANS								
ABSA	13.05%	30-0969-8128	2013/02/14	55 552	55 552		55 552	0
ABSA	12.80%	30-0969-8770	2013/02/14	7 969	7 969		7 969	0
ABSA	12.80%	30-0969-9043	2013/02/14	131 241	131 241		131 241	0
ABSA	10.21%	90-9200-8204	2015/12/30	39 636	39 636		10 163	29 473
ABSA	10.21%	20-9200-9990	2015/12/30	67 774	67 774		17 379	50 395
ABSA	10.21%	0-9205-8859	2015/12/30	18 617	18 617		4 775	13 842
NED BANK	8.00%	5032172 0001	2013/05/30	791 863.11	791 863		791 863	0
NED BANK	8.00%	5032156 0001	2015/05/30	682 307.19	682 307		212 197	470 110
NED BANK	8.00%	5032113 0001	2018/05/30	1 163 954.24	1 163 954		165 733	998 222
NED BANK	8.00%	5032032 0001	2023/05/30	9 304 898.42	9 304 898		604 507	8 700 391
CERES GOLF CLUB	18.00%	49	2018/06/30	32 661	32 661		3 390	29 271
DBSA	12.00%	10478/102	2017/09/30	2 429 277	2 429 277		435 324	1 993 953
DBSA	12.00%	10525/104	2017/03/31	25 029 291	25 029 291		3 812 328	21 216 964
DBSA	15.25%	11188/101	2018/09/30	7 379 819	7 379 819		730 164	6 649 655
DBSA	15.50%	10772/101	2018/09/30	1 671 234	1 671 234		164 107	1 507 127
DBSA	9.50%	102040/1	2021/09/30	271 979	271 979		18 691	253 288
DBSA	9.49%	102040/2	2013/09/30	442 028	442 028		287 824	154 204
DBSA	14.65%	12977/101	2012/12/31	802	802		802	0
DBSA	14.35%	12978/101	2013/12/31	70 031	70 031		45 057	24 974
DBSA	10.75%	13161/101	2014/12/31	9 999	9 999		3 688	6 311
DBSA	15.25%	13164/101	2014/12/31	6 222	6 222		2 218	4 004
DBSA	8.59%	100605/1	2023/06/30	2 398 014	2 398 014		218 001	2 180 013
Total Annuity Loans				52 005 169	52 005 169	-	7 722 974	44 282 196
LEASE LIABILITY								
Office Equipment		Various	2012/02/29	-	-	691 343	169 406	521 937
Total Lease Liabilities				-	-	691 343	169 406	521 937
TOTAL EXTERNAL LOANS				52 005 169	52 005 169	691 343	7 892 380	44 804 133

APPENDIX B - Unaudited
WITZENBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
MUNICIPAL VOTES CLASSIFICATION

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
49 752 974	(25 215 001)	24 537 973	Budget & Treasury Office	58 249 305	(30 029 706)	28 219 599
110 641 951	(69 627 630)	41 014 321	Civil Services	116 290 734	(67 550 977)	48 739 757
43 828 427	(14 352 545)	29 475 882	Community & Social Services	49 903 460	(16 320 786)	33 582 673
1 047 763	(22 619 677)	(21 571 914)	Corporate Services	1 933 241	(17 564 792)	(15 631 550)
130 065 559	(121 725 795)	8 339 765	Electro Technical Services	148 004 166	(138 079 646)	9 924 520
1 448 675	(17 562 052)	(16 113 377)	Executive & Council	2 861 387	(17 779 134)	(14 917 747)
1 521 595	(3 673 410)	(2 151 815)	Housing	12 110 141	(14 311 887)	(2 201 746)
991 039	(3 827 599)	(2 836 560)	Planning	2 218 820	(3 992 225)	(1 773 405)
3 848 709	(6 865 872)	(3 017 163)	Public Safety	3 895 071	(7 842 139)	(3 947 069)
9 900 776	(15 240 358)	(5 339 583)	Sport & Recreation	25 271 371	(16 208 146)	9 063 225
353 047 467	(300 709 938)	52 337 529	Total	420 737 696	(329 679 439)	91 058 258

**APPENDIX C - Unaudited
WITZENBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
1 368 549	(16 404 709)	(15 036 160)	Executive & Council	2 861 387	(16 203 500)	(13 342 113)
49 752 974	(25 215 001)	24 537 973	Budget & Treasury Office	58 249 305	(30 029 706)	28 219 599
1 047 763	(24 691 140)	(23 643 376)	Corporate Services	1 933 241	(19 535 814)	(17 602 572)
1 071 165	(5 908 115)	(4 836 950)	Planning & Development	2 311 760	(6 573 491)	(4 261 732)
43 828 427	(11 631 418)	32 197 008	Community & Social Services	49 555 222	(13 546 027)	36 009 195
1 521 595	(3 673 410)	(2 151 815)	Housing	12 110 141	(14 311 887)	(2 201 746)
883 770	(4 988 963)	(4 105 193)	Public Safety	755 134	(5 777 895)	(5 022 761)
9 900 776	(15 240 358)	(5 339 583)	Sport & Recreation	25 271 371	(16 208 146)	9 063 225
-	(738 073)	(738 073)	Environmental Protection	255 297	(966 658)	(711 361)
15 504 641	(22 484 126)	(6 979 485)	Waste Management	17 407 817	(21 988 976)	(4 581 159)
28 436 539	(20 295 210)	8 141 329	Waste Water Management	37 545 926	(20 217 989)	17 327 937
21 814 757	(11 222 792)	10 591 966	Road Transport	9 934 595	(11 390 511)	(1 455 915)
47 850 952	(17 502 411)	30 348 541	Water	54 542 334	(16 017 746)	38 524 588
130 065 559	(120 714 212)	9 351 347	Electricity	148 004 166	(136 911 092)	11 093 074
-	-	-	Other	-	-	-
353 047 467	(300 709 938)	52 337 529	Total	420 737 696	(329 679 439)	91 058 258

**APPENDIX D - Unaudited
WITZENBERG MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2012	Grants Received	Grants Capital Received	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2013	Unspent 2013 (Payable)	Unpaid 2013 (Receivable)
R	R	R	R	R	R	R	R	R	R
<u>National Government Grants</u>									
Finance Management Grant	(422 255)	1 250 000	-	167 188	(1 055 217)	-	(60 285)	-	60 285
Transformation funds	167 188	-	-	(167 188)	-	-	-	-	-
DWAF - Drought relief	3 185 757	(1 760 000)	-	924 431	(664 863)	(5 256 059)	(3 570 734)	-	3 570 734
Municipal Systems Improvement Grant	106 274	800 000	500 000	-	(161 247)	(745 027)	-	-	-
Municipal infrastructure Grant	(804 844)	22 112 000	22 112 000	-	(2 658 286)	(19 406 535)	(757 665)	-	757 665
Regional Bulk Infrastructure Grant (DWAF)	(2 202 205)	19 897 358	16 928 937	-	(2 685 292)	(21 007 252)	(5 997 391)	-	5 997 391
Housing - Kluitjieskraal	(85 704)	-	-	-	-	-	(85 704)	-	85 704
Integrated National Electricity Program	(824 041)	-	-	-	(146 000)	-	(970 041)	-	970 041
Equitable share	-	46 200 000	-	-	(46 200 000)	-	-	-	-
Department of Rural Development	(453 823)	4 705 468	4 089 708	-	(599 656)	(7 677 700)	(4 025 711)	-	4 025 711
ACIP funds (DWAF)	876 275	4 000 000	4 000 000	(924 431)	(474 181)	(3 477 662)	-	-	-
Expanded Public Works Programme	-	1 000 000	800 000	-	(309 571)	(800 000)	(109 570)	-	109 570
Neighbourhood Development Plan	1 379 294	1 379 000	1 379 000	-	(127 993)	(1 195 980)	1 434 321	1 434 321	-
<u>Provincial Government Grants</u>									
Library services	275 121	669 000	-	1 982	(578 218)	-	367 885	367 885	-
Library services Replacement Funding	-	4 738 000	-	-	(4 738 000)	-	-	-	-
CDW	79 938	216 000	-	-	(118 332)	-	177 606	177 606	-
Main roads	-	-	-	-	(101 000)	-	(101 000)	-	101 000
Wolseley Landbouprojek	59 411	-	-	-	(59 411)	-	-	-	-
Hand Crafts Project	42 760	-	-	-	(42 760)	-	-	-	-
Aqua Culture Project	21 134	-	-	-	(21 134)	-	-	-	-
Planning	(8 151)	-	-	-	8 151	-	-	-	-
Housing	6 193 692	23 311 641	9 283 245	-	(11 553 893)	(13 385 901)	4 565 539	4 565 539	-
Sport	109 458	-	-	-	(5 182)	(104 276)	-	-	-
Library Capital	1 982	-	-	(1 982)	-	-	-	-	-
Public Transport Infrastructure Grant	30 950	-	-	-	(16 320)	(14 629)	-	-	-
Multipurpose Centre	(121 653)	-	-	-	121 653	-	-	-	-
Financial Management Training	300 000	-	-	-	(300 000)	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>District Municipality</u>									
Asset Investigation - Electricity	57 508	-	-	-	(57 508)	-	-	-	-
Water & Sanitation Informal Areas	(113 932)	-	-	-	113 932	-	-	-	-
Housing Consumer Education Training	(5 138)	-	-	-	5 138	-	-	-	-
Hawkers Sites (Op die Berg)	251 076	-	-	-	(251 076)	-	-	-	-
Upgrading of Streets & Sidewal	(481 987)	-	-	-	481 987	-	-	-	-
Solid Waste	(76 200)	-	-	-	76 200	-	-	-	-
Total	7 537 883	128 518 466	59 092 889	-	(72 118 078)	(73 071 020)	(9 132 749)	6 545 351	15 678 100